

C. DUKES SCOTT
EXECUTIVE DIRECTOR

P.O. Box 11263
Columbia, S.C. 29211



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DAN F. ARNETT
CHIEF OF STAFF

173980

VIA HAND DELIVERY

May 13, 2005

Mr. Charles L.A. Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
101 Executive Center Dr., Suite 100
Columbia, SC 29210

Re: Application of Melrose Utility Company, Inc., for Adjustments in Rates
and Charges for Water and Sewer Services
Docket No. 2005-74-W/S

Dear Mr. Terreni:

For your docket, please find enclosed a copy of the Office of Regulatory Staff's First Continuing Data Request which was served on counsel for Melrose Utility Company, Inc. Also, if you would please date stamp the extra copy and return it to me via courier.

Please let me know if you have any questions.

Sincerely,

C. Lessie Hammonds

CLH/rng
Enclosures

cc: Robert T. Bockman, Esquire

RECEIVED
2005 MAY 13 PM 4:41
SC PUBLIC SERVICE
COMMISSION

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2005-74-W/S

RECEIVED
2005 MAY 13 PM 4:41
PUBLIC SERVICE
COMMISSION

IN RE: Application of Melrose Utility)
Company, Inc. for Approval of an)
Adjustment in Rates and Charges)
For Water and Sewer Services)
_____)

CERTIFICATE OF SERVICE

This is to certify that I, Rena Grant, an employee with the Office of Regulatory Staff, have this date served one (1) copy of the **OFFICE OF REGULATORY STAFF'S FIRST CONTINUING DATA REQUEST** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

Robert T. Bockman, Esquire
McNair Law Firm
Post Office Box 11390
Columbia, SC 29211



Rena Grant

May 13, 2005
Columbia, South Carolina

RECEIVED
2005 MAY 13 PM 4:41
SC POLICE SERVICE
COMMUNICATION

**TO: ROBERT BOCKMAN, ESQUIRE, ATTORNEY FOR THE APPLICANT,
MELROSE UTILITY COMPANY, INC. (“MUC” or “MELROSE”).**

INSTRUCTIONS

The Office of Regulatory Staff hereby requests, pursuant to 26 S.C. Code Regs. 103-853 (Supp. 2004), that the Applicant answer the following data requests in writing and under oath within ten (10) days after service at the Office of Regulatory Staff, 1441 Main Street, Suite 300, Columbia, South Carolina, 29201. If you are unable to respond to any of the data requests, or part or parts thereof, please specify the reason for your inability to respond and state what other knowledge or information you have concerning the unanswered portion.

As used in these data requests, "identify" means, when asked to identify a person, to provide the full name, title, and current address and telephone number of the person. When asked to identify a document, "identify" means to provide a full and detailed description of the document and the name and address of the person who has custody of the document. In lieu of providing a full and detailed description of a document, you may attach to your responses a copy of the document and identify the person who has custody of it. When the word "document" is used herein, it means any written, printed, typed, graphic, photographic, or electronic matter of any kind or nature and includes, but

is not limited to, statements, contracts, agreements, reports, opinions, graphs, books, records, letters, correspondence, notes, notebooks, minutes, diaries, memoranda, transcripts, photographs, pictures, photomicrographs, prints, negatives, motion pictures, sketches, drawings, publications, and tape recordings. As used in this data request, "address" means mailing address and business address.

Wherever in this data request a masculine pronoun or possessive adjective appears, it refers to both males and females in accordance with traditional English usage.

IT IS HEREIN REQUESTED:

- A. That all information shall be provided to the undersigned in the format as requested.
- B. That all responses to the requests below be labeled using the same numbers as used herein.
- C. That each of the enumerated data requests be reproduced at the beginning of each of the responses.
- D. That if the requested information is found in other places or in other exhibits, reference not be made to those, but instead, that the information be reproduced and placed in the data request in the appropriate sequence.
- E. That any inquiries or communications relating to questions concerning clarifications of the data requested below be directed to the undersigned.
- F. That all exhibits be reduced to 8 ½" x 11" format, where practical.
- G. That the requested information be bound in ring binders (loose leaf notebooks) or otherwise suitably bound.
- H. That in addition to the signature and verification at the close of the Company's responses, the Company witness(es) or employee(s) responsible for the information contained in each response be indicated.

- I. That the Company provide to the Office of Regulatory Staff two copies of the responses to this data request as soon as possible but no later than ten (10) days after service thereof.
- J. If the response to any data request is that the information requested is not currently available, please state when the information requested will be available.
- K. This data request shall be deemed to be continuing so as to require the Company to supplement or amend its responses as any additional information becomes available.

QUESTIONS

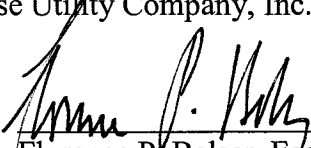
- 1.1 Please provide the complete general ledger for test year ending November 30, 2004 in hard copy and electronic version.
- 1.2 Provide the Working Trial Balance for test year ending November 30, 2004, fiscal year ending 2003, and fiscal year ending 2002.
- 1.3 Please provide complete Accounts Receivable ledgers documenting each customer account and all transactions for the test year ending November 30, 2004. Include customer number, monthly invoice and payment history, current and previous account balances, late fees/payments, disconnect/reconnect fees/payments, return check fees/payments, and delinquency status.
- 1.4 Please explain the allocation of sewer treatment plant and sewer plant operating costs to Melrose Utility Company, Inc. from Haig Point and provide supporting documentation.
- 1.5 Please provide a copy of the Melrose Utility Company, Inc.'s 2004 Annual Report which is filed with the Public Service Commission.
- 1.6 Provide the range of check numbers for checks written on all utility checking accounts during the test year.
- 1.7 Provide all documentation associated with the purchase of Melrose Utility Company, Inc. by Daufuskie Island Properties, LLC from its previous owners.
- 1.8 How was the purchase price/cost of assets determined when Daufuskie Island Properties, LLC purchased Melrose Utility Company, Inc. from its previous owners?

- 1.9 Provide all federal and state tax returns signed and filed by Melrose Utility Company, Inc. for tax years 2002, 2003 and 2004. This request includes all supporting schedules and documents, such as 1099s, whether filed or not.
- 1.10 Please explain the procedures for the write off of "bad debt"? What is the process for determining that an account is "uncollectible"?
- 1.11 Explain what the "Intercompany DIRS" account on the balance sheet is comprised of.
- 1.12 Are there any outstanding loan agreements involving Melrose Utility Company, Inc.? If so, please provide a copy of the loan agreement(s) with the amortization schedule(s).
- 1.13 Is the state's tax credit for pollution control equipment being claimed by MUC during the test year for any construction activities? If so, what is the tax credit (or expected tax credit), and where is the credit included in the financial information submitted with the Application?
- 1.14 Is the state's tax credit for any construction or improvement of an infrastructure being claimed by MUC during the test year for any construction activities? If so, what is the tax credit (or expected tax credit), and where is the credit included in the financial information submitted with the Application?
- 1.15 Please provide a detailed and complete description of the list of "Equipment" and "Purchase Price" on the Depreciation Schedule and Plant Investment (Exhibit E).
- 1.16 What specific assets are associated with the "Accumulated Depreciation-Furniture & Fixture" that are listed on the Balance Sheet? Please identify specific assets, purchased price, date acquired, and useful life of each asset.
- 1.17 Please list the names and business titles of all people who provided information for preparation of the Application, tables and exhibits, specifying which tables and exhibits for which that person provided information.
- 1.18 Provide detailed working papers indicating all calculations, rate setting methodology and cost justification used to derive all proposed water and sewer rates listed in "Melrose Utility Company Approved and Proposed Rates and Charges".
- 1.19 Please provide details and documentation regarding any DHEC fines for the period 2000 through 2005. If there are any, for what reasons and in what amounts were the fines issued? Provide a copy of all notices of violation and orders issued by DHEC to MUC during the period of 2000 through 2005. Does Melrose Utility Company, Inc. have any outstanding violations noted by DHEC? If so, what are they and provide a copy of the documentation by DHEC that outlines the violations.

- 1.20 During the test year, and the period after the proposed rate increase, are there any separate "DHEC Fees" charged or planned to be charged to the customers? If so, what amounts? Provide details.
- 1.21 Provide a copy of maintenance and service contracts applicable during the test year.
- 1.22 What is the cost of the performance bond (insurance certificate)?
- 1.23 Please provide a copy of the current performance bond on file with the Commission. Identify the criteria used to determine the current bond amount.
- 1.24 Please describe the construction and/or upgrades that took place and/or taking place at Melrose Utility Company, Inc. as noted on the balance sheet in Exhibit D.
- 1.25 Please provide a copy of the latest sanitary survey that was completed by DHEC.
- 1.26 Please provide information on the following:
- a. What is the maximum number of taps that can be installed on the present system (plant capacity indicator)?
 - b. How many taps (water and sewer) were provided during the period ending November 30, 2002, 2003, and 2004?
 - c. How many taps (water and sewer) do you anticipate making per year during the next five years?
 - d. What were the total costs expended related to taps (water and sewer) each year during the period ending November 30, 2002, 2003, and 2004?
 - e. What were the total costs capitalized for taps for each year during the period ending November 30, 2002, 2003, and 2004?
- 1.27 Please provide a detailed listing of the number of residential and commercial customers as of November 1, 2003, November 30, 2004 and May 1, 2005. Provide a detailed breakdown by customer classification and service type provided.
- 1.28 What land & land rights does Melrose own, and where is it located? Indicate the years each were purchased and the purchased price. Does this include the business office in Beaufort County, South Carolina? What are the values of these assets?
- 1.29 List by year the total number of bills issued to customers during the years ending November 30, 2002, 2003 and 2004.

- 1.30 Provide a copy of the complete customer complaint log detailing all recorded customer complaints for the test year ending November 30, 2004 pertaining to the water and sewer systems.
- 1.31 Are there any lawsuits pending against Melrose Utility Company, Inc.? If so, provide details of the lawsuit(s). Are there any outstanding judgments against Melrose Utility Company, Inc.? If so, provide details of the judgment(s).
- 1.32 Please provide a copy of all covenants, restrictions, and /or amendments thereto for MUC.
- 1.33 Explain the substantial difference in the revenues and expenses from Income Statement dated YTD 2003 and Pro-Forma Analysis Column 1 (12 months 10/11/30/04). What factors contributed to the decrease in both revenues and expenses?
- 1.34 Please clarify the terms "Water-Min Use", "Sewer-Min Use", "Water-Commercial/2Uts", and "Sewer- Commercial/2Uts" used in the Income Statement and Pro Forma Analysis.
- 1.35 What are "Availability Fees" as listed on the Income Statement in the Application? Who collects these fees? Does MUC use these fees? If so, how does MUC use the fees?
- 1.36 Provide calculation for all Labor Costs included on Cost Justification for Proposed Tap Fees. Include employees' positions and hourly rates if applicable.
- 1.37 Provide beginning and ending dates for Income Statement dated YTD 2003. What fiscal year does Melrose Utility Company, Inc. operate under?

May 13, 2005



Florence P. Belser, Esquire
C. Lessie Hammonds, Esquire
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CHIEF OF STAFF

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Robert T. Bockman, Esquire
McNair Law Firm
Post Office Box 11390
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Docket No. 2005-74-W/S

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Sincerely,

C. Lessie Hammonds

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Enclosure

cc: Charles L.A. Terreni